

Message Text

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ACTION EA-09

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TAGS: EAIR TH

SUBJECT: SALE OF DC-10'S TO THAI AIRWAYS INTERNATIONAL

REF: BANGKOK 23135

SUMMARY: THERE HAS BEEN A RECENT RAPID BUILD-UP OF EVENTS AND CONTROVERSY RELATING TO DOUGLAS AIRCRAFT'S SALES AGREEMENT WITH THAI AIRWAYS INTERNATIONAL (TAI) FOR PURCHASE OF TWO DC-10 AIRCRAFT, PREVIOUSLY APPROVED BY GOVERNMENT. CONTROVERSY RELATES PRIMARILY TO PRICING OF AIRCRAFT, WITH MINISTRY OF COMMUNICATIONS UNDER SECRETARY OF STATE, PRESUMABLY WITH MINISTER'S BACKING, TAKING LEAD IN ALLEGING IMPROPRIETIES. A PARLIAMENTARY INVESTIGATION IS BEING CONDUCTED SEPARATELY. MCDONNELL DOUGLAS PRESIDENT HAS WRITTEN TO PRIME MINISTER ABOUT MATTER, AND IS CURRENTLY ENGAGED IN EXCHANGE OF TELEX MESSAGES WITH COMMUNICATIONS UNDER SECRETARY; LATTER HAS ALLEGEDLY WRITTEN LETTER TO SENATOR CHURCH, REQUESTING HIS COMMITTEE INVESTIGATE TRANSACTION. END SUMMARY.

1. IN REFTEL EMBASSY, OUTLINING DEVELOPING DOUBTS WITHIN THE MINISTRY OF COMMUNICATIONS RE THE PRICING OF TWO NEW DC-10 AIRCRAFT WHICH THAI AIRWAYS INTERNATIONAL (TAI) HAS CONTRACTED TO BUY FROM DOUGLAS AIRCRAFT CORP.,
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REQUESTED DEPT CONTACT DOUGLAS AND SUGGEST ADVISABILITY

OF THEIR SENDING QUALIFIED OFFICIAL TO BANGKOK TO DISCUSS CONTRACT WITH COMPETENT THAI OFFICIALS. JOHN LITTLE, DOUGLAS SALES MANAGER FOR SOUTH ASIA, ARRIVED BANGKOK AUG 23.

2. LITTLE BROUGHT WITH HIM LETTER ADDRESSED TO PRIME MINISTER, SIGNED BY MCDONNEL-DOUGLAS PRESIDENT, SANFORD N MCDONNELL, IN WHICH MCDONNELL GAVE HIS PERSONAL ASSURANCES THAT DOUGLAS HAD MADE NO BRIBES AND THAT THERE HAD BEEN NO MIDDLEMEN INVOLVED IN ITS SALE TO TAI. LETTER ALSO SUMMARIZED TEN SPECIAL FEATURES PROVIDED FOR IN THE CONTRACT (FIXED PRICE, PRICE REDUCTION INCENTIVE, REDUCTION OF PRE-DELIVERY PAYMENTS, ETC.), SOME OF WHICH DOUGLAS CONTENDED HAD BEEN OFFERED TO NO OTHER CUSTOMER. LETTER ALSO NOTED THAT PURCHASE AGREEMENT HAD BEEN PROPERLY EXECUTED, AND LISTED PRIOR RTG APPROVALS OF AGREEMENT.

3. ON AUGUST 24, LITTLE CALLED ON AMBASSADOR, OUTLINED THE ARRANGEMENT BETWEEN HIS COMPANY AND THAI AIR INTERNATIONAL AND ASKED HIS ASSISTANCE IN ARRANGING FOR DELIVERY OF THE LETTER TO THE PRIME MINISTER. AMBASSADOR PROPOSED LEAVING IT PERSONALLY WITH THE SECRETARY GEN OF PM'S OFFICE, NITIPHAT CHALICHAN, DURING A CALL ALREADY ARRANGED FOR. LITTLE CONCURRED IN THIS ARRANGEMENT AND THE LETTER WAS HANDED TO NITIPHAT ON AUG 26.

4. ON SAME DAY LITTLE, TOGETHER WITH TWO REPS OF TAI, APPEARED BEFORE THE QUOTE PARLIAMENTARY COMMITTEE ON COMMUNICATIONS UNQUOTE AT THE COMMITTEE'S REQUEST TO PROVIDE DETAILS OF THE TRANSACTION TO THIS PARLIAMENTARY OVERSIGHT BODY. LITTLE HAS SUBSEQUENTLY MET PRIVATELY WITH THE COMMITTEE CHAIRMAN, ALSO AT LATTER'S REQUEST. ACCORDING TO LITTLE, DURING THESE SESSIONS COMMITTEE MEMBERS HAVE SEEMED GENUINELY INTERESTED IN GETTING FACTS WITH RESPECT TO PRICING OF AIRCRAFT, AND LITTLE MAINTAINS THAT HE AND TAI REPS HAVE BEEN FORTHCOMING, AS THEY HAVE NOTHING TO HIDE.

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5. DURING PAST FEW DAYS THERE HAS ALSO BEEN A CONTINUING EXCHANGE OF TELEX MESSAGES BETWEEN MINISTRY OF COMMUNICATIONS UNDER SECRETARY DR KAN NAKHAMADI AND MCDONNELL. IN AN AUGUST 26 TELEX, MCDONNELL REPEATED MUCH THE SAME INFO CONTAINED IN HIS LETTER TO THE PM, I.E., THAT DOUGLAS HAD NOT RESORTED TO BRIBERY NOR THE USE OF MIDDLEMEN TO SECURE THE CONTRACT AND THAT THE BENEFITS TO TAI WERE AT LEAST AS FAVORABLE AS THOSE GIVEN

TO ANY OTHER DC-10 PURCHASER IN THE COMPARABLE TIME PERIOD.

6. ONE THING WHICH DOUGLAS (AND LITTLE) HAS SO FAR REFUSED TO PROVIDE TO THE MINISTRY IS INFO ON DOUGLAS SALES AGREEMENTS WITH OTHER CUSTOMERS, STATING IT IS CONTRARY TO COMPANY POLICY (REFTEL). DR KAN NAKHAMADI HAS BEEN DEMANDING SUCH EVIDENCE AS QUOTE PROOF UNQUOTE THAT PRICING IS FAIR (REFTEL). KAN HAS APPOINTED A MR TONY RYAN (AN IRISH NATIONAL, FORMERLY WITH IRISH AIRLINES AND AIR SIAM) TO REPRESENT HIM (OR RTG) IN REVIEWING THE CONTRACT WITH DOUGLAS IN LONG BEACH. RYAN HAS ALREADY MET AT LEAST TWICE WITH DOUGLAS THERE, BUT DOUGLAS HAS REFUSED TO PROVIDE INFO ON OTHER SALES TRANSACTIONS TO RYAN. IN AN AUGUST 27 TELEX TO MCDONNELL, DR KAN SAID IT WAS OF ABSOLUTE NECESSITY TO INVOLVE RYAN, QUOTE WHOSE INTEGRITY IS BEYOND DOUBT, UNQUOTE SAID REP LITTLE'S EXPLANATION THIS WEEK IS STILL NOT SATISFACTORY, THAT SINCE TAI IS A SEMI-GOVERNMENT OWNED AIRLINE, MINISTRY OF COMMUNICATIONS HAS FULL AUTHORITY TO SANCTION THIS MATTER, AND THAT QUOTE MINISTRY IS SERIOUSLY THINKING OF TAKING APPROPRIATE ACTION IF IT FAILS TO OBTAIN COOPERATION FROM YOUR ORGANIZATION UNQUOTE. FINALLY KAN PROPOSED THAT A SPECIAL DEL OF THE MINISTRY, HEADED BY THE MINISTER AND HIMSELF, VISIT DOUGLAS IN SEPTEMBER TO HOLD DISCUSSIONS AND HOPEFULLY TO FINALIZE THIS MATTER ONCE AND FOR ALL.

7. EMBASSY HAS NOT YET SEEN TEXT, BUT UNDERSTANDS FROM LITTLE THAT MCDONNELL REPLIED ON AUG 31, CORDIALLY WELCOMING DELS SEPTEMBER VISIT, OFFERING TO FACILITATE GROUND TRANSPORTATION, ETC., RECOMMENDING THAT DISCUSSIONS BE HELD AT LONG BEACH SINCE ORIGINAL DOCUMENTS ARE STORED IN VAULTS THERE, BUT AGAIN INSISTING THAT DOUGLAS COULD NOT VIOLATE THE CONFIDENCE OF THIRD PARTY CUSTOMERS. MCDONNELL REPORTEDLY ALSO LIMITED OFFICIAL USE

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STATED THAT HE WAS INFORMED BY TAI MANAGING DIRECTOR AIR MARSHAL CHOO THAT, ON ADVICE OF DEPUTY PRIME MINISTER PRAMARN (WHO CHAIRS ONE CABINET COMMITTEE INVESTIGATING THE TRANSACTION), MR TONY RYAN CANNOT BE CONSIDERED A REP OF RTG, SINCE THIS WOULD REQUIRE CABINET APPROVAL, WHICH HAS NOT BEEN GIVEN.

8. MEANWHILE, LITTLE HAS BEEN INFORMED BY CONTACTS AT AIR SIAM, THAT BOTH MINISTER THAWIT AND DR KAN ARE FURIOUS. AIR SIAM PRESIDENT VIRACHAI (DOUGLAS HAS SEPARATE COMMERCIAL DEALING WITH AIR SIAM) HAS, ACCORDING TO LITTLE'S INFORMANT, BEEN GIVEN A LETTER FROM DR KAN ADDRESSED TO SENATOR CHURCH, WITH INSTRUCTIONS THAT VIRACHAI HAVE IT DELIVERED TO THE SENATOR; LETTER ALLEGEDLY CONTAINS A REQUEST THAT CHURCH COMMITTEE INVESTIGATE DOUGLAS-TAI

TRANSACTION. (LITTLE HAS TOLD US PREVIOUSLY THAT DOUGLAS WOULD WELCOME A CHURCH COMMITTEE INVESTIGATION IN VIEW OF FACT THAT THEIR CONTRACT IS OPEN AND ABOVE BOARD.) VIRACHAI IS REPORTEDLY VERY NERVOUS AND NOT SURE WHAT TO DO.

9. ALTHOUGH LITTLE HAD NOT BEEN ASKED TO MEET WITH EITHER MINISTER THAWIT OR UNDER SECRETARY KAN, EMBASSY, AT LITTLE'S REQUEST, INFORMED THEIR OFFICES OF HIS PRESENCE IN BANGKOK AND HIS WILLINGNESS DISCUSS MATTERS WITH THEM. APPOINTMENT WAS MADE FOR AFTERNOON AUGUST 31 WITH DR KAN, WHICH MINISTER WOULD ALSO TRY TO ATTEND. WE HAVE NOT YET LEARNED OF RESULTS OF THAT MEETING.
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